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Farm and Ranch Economic Review for South Dakota

Agricultural Extension Service, South Dakota State College

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FARM and RANCH
Economic Review
For South Dakota

Agricultural Extension Service, South Dakota State College, U.S. Department of Agriculture

1953 Farm and Home Outlook:

Prices Received to be Lower; Prices Paid, Higher

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Summary

The stage is set for another year of high-level economic activity. In this type of an economy, agricultural prospects are generally good. But, some weakening is possible late in the year.

A stable or gently-rising level of wholesale prices is expected during most of 1953. Prices received by farmers may tend downward and prices paid, steady to upward. Net farm income may be a little lower than in 1952.

The chief reasons for a possible decline in economic activity, farm prices and income are the likely declines in defense spending, in businessmen's investments in plants and equipment (which may occur in late 1953 or early in 1954), and in agricultural exports. Such a decline in prosperity is not expected to be sharp or prolonged. But, for farmers it might by comparable with the down-turn in 1949.

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Businessmen's Capital Investments

One of the big questions in the outlook for 1953 is the level of investments in plants, machinery, inventories and housing. By the end of this year, industrial capacity of this country will have increased by 50 percent since the end of World War II. House construction has reached a high level. Investments of business in inventories is in better balance with sales than a year ago.

In light of this situation, it appears probable that investments in new plants and equipment may decline moderately late in 1953. It seems likely that house construction will decline slightly in the year ahead and a little more in future years. The chief reasons include a decline in family formations and higher capital costs.

The total decline in capital investment, should it occur, may be less than ten percent. The greatest strain on our economy may come in the winter and spring of 1953-54. There is no absolute assurance that a decline in non-defense capital spending may come at the same time defense spending declines. The reasons are many. There is still a large amount of construction to be done on which tax amortization has been granted. Shortages of materials have held up some commercial building. Low-income housing demands are still strong.

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Consumer Expenditures

Personal income, after taxes, continues to rise. This rise is likely to continue well into the next year. Such a rise has come about through larger employment and higher wage rates.

In addition, our savings have been high and more and easier credit is available.

In response to higher income and easier credit, consumers may be expected to continue current levels of spending and a fairly high level of savings during the coming year. In many new lines of consumer goods there is a great opportunity for expansion.

Industrial and Agricultural Production

Both agriculture and industry have developed a plant much larger since the end of World War II. Production will continue high on the industrial side so long as the expenditures of government, housing and consumers continue high. Agriculture is a little different since it is influenced greatly by weather. However, livestock production is at high levels now and marketings are increasing. Crop production will be maintained around present levels if weather is favorable.

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Agricultural Exports

Foreign demand for farm products is declining. Exports in 1953 may decline 20 percent below the record level of 4 billion dollars in 1951-52. This drop will affect, mainly, wheat, lard, dairy products, cotton, and tobacco.

Three factors account for this expected decline. First, the shortage of dollars will continue in many countries which are important buyers of our products. Part of th dollar shortage is caused by reduced impor into our country. The reduction of impor is coming about because of our trade ba riers and partly because of a decline i stockpiling of certain goods.

The third reason for lower exports more adequate agricultural production i importing countries and competing export ing countries.

Price Trends Mixed

Price trends for the coming year will b mixed. Consumer prices may be expected continue their slowly upward movemen

Wholesale prices are likely to contin fairly firm with some little further over-al rise, if the higher level of defense spending is reached.

Prices affecting farmers may show the greatest amount of change. The average of prices received by farmers in the U. S. in

Where Are We Headed?

We are now in the third year of a defense economy. A cold war with fear of it getting hotter has dominated much of our thinking. Prices rose fast early in this period, then declined, and currently are fairly stable. Production, both in industry and in agriculture rose to record levels. Consumers, businesses and government clamored for more goods.

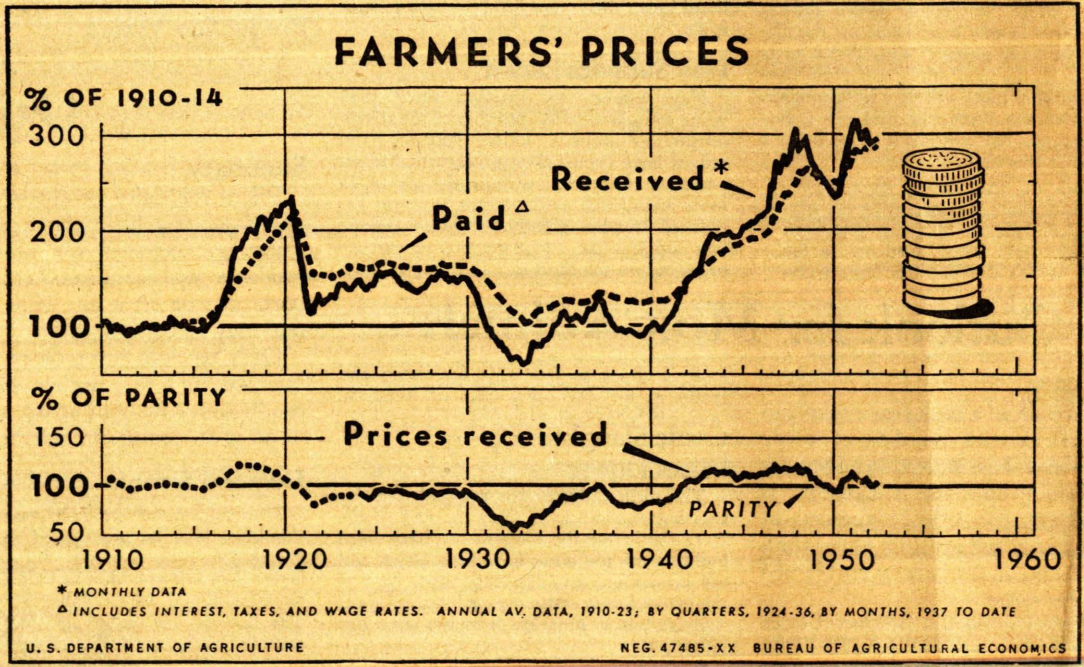
Today the stage is set for another year of high level economic activity. It will be influenced by the international situation, business men's plans for plant expansion, consumer spending and agricultural exports.

The International Situation

The international situation is one key to the economic outlook for the year ahead. Our analysis of the outlook is based on the assumption that the cold war will continue at about its present intensity.

Our government's spending for defense is now at a rate of 50 billion dollars a year. This rate of spending is likely to increase to a level of 55 to 60 billion a year by the mid- of 195 For the last of 1953 it may ve to of 50 to 55 billion dollars and possibly down to a minimum of 40 billion dollars a couple of years hence, depending upon the intensity of the international situation.

In addition to the spending for defense, other government (federal, state and local) expenditures will tend upward in 1953. The needs in public investments are greatest in schools, roads, and power production.



If you wish to get the Farm and Ranch Economic Review four times a year, send a post card to Lyle M. Bender, Extension Economist, South Dakota State College, College Station, S. Dak. Print name and address plainly. This issue prepared by Lyle Bender, Arthur Anderson and Ed Dailey, Economists, and Isabel McGibney, Home Management Specialist, SDSC Extension Service, U. S. Department of Agriculture and SDSC Agricultural Economics Dept., cooperating.

1953 is likely to be moderately less than this past year. Both crop and livestock product prices are likely to average lower. An unfavorable growing season could temper the decline in crop prices. Prices paid by farmers are likely to increase slowly. As a result the parity ratio may average around 100 as against a little above 100 in 1952.

Greatest pressure on prices received by farmers will come late in the year if defense spending and business investments turn down. Such a decline may not be sharp or prolonged but could mean a 10 percent (or more) cut in prices from current levels.

Farm Income

Gross farm income for 1952 is estimated at 37.6 billion dollars or 2% higher than in 1951. Production expenses may be about 23.4 billion dollars—up 4%. Net income may be about 14.2 billion dollars—slightly lower than in 1951.

For 1953, gross farm income may be down slightly. Total cost of farming is likely to be higher than a year ago. Under these conditions net farm income may be down about 5 percent. (See chart, "Farmers' Prices")

Outlook for Feed in 1953

Summary

Supplies of feed grains and other concentrates for 1952-53 are again much larger than in pre-war years but are a little smaller than in 1951-52. Total supply appears generally adequate for current needs but differs greatly by areas. Overall level of feed prices is not expected to change much because demand is expected to be strong.

Supplies of by-product feeds and high protein feeds will continue large and will be in about the same proportion to the prospective number of livestock to be fed as a year ago.

Hay supplies are smaller than last year and differ greatly by areas with adequate supplies in the Midwest and most of the Western States but short in the Southern States and localized drought areas.

Feed Supplies Down a Little

The total supply of feed grains and other concentrates for the 1952-53 feeding season is estimated to be about 165 million tons. This is about 5 million tons less than 1951-52. The drain on reserve stocks during 1951-52 was largely responsible for the difference in total supply. With fewer hogs being raised, the total number of grain consuming animal units will be a little smaller. This leaves the supply of feed per grain-consuming animal unit about the same as a year ago at this time.

While the total supply appears generally adequate for current needs, supplies differ greatly by areas. The Corn Belt will have ample feed but in the South where drought has been widespread feed supplies are short. Prices will vary widely by surplus and deficit areas. Feed supplies in South Dakota are adequate for all needs.

The corn supply for the U. S. is a little larger this year than for the 1951-52 season as increased production will more than make up for the reduction in carry-over. This will permit liberal livestock feeding and also movement to deficit feed areas. The supply of oats is 5 percent smaller than a year ago. Supplies of barley and sorghum grains are much smaller; this means: reduced domestic use, fewer exports and smaller carry-over stocks at the end of this 1952-53 season for these feeds.

Feed Demand Strong

Overall demand for feed is expected to continue strong and the level of feed prices may not differ greatly from that in 1951-52. Corn prices may decline at harvest time but strengthen later in the marketing year. Prices for barley and sorghum grains will average higher than for the 1951-52 season. The price for oats in 1952-53 will remain near the average for the past season.

The strong demand for by-product feeds has held them close to ceilings which are higher than a year ago, and they will likely remain at ceiling prices at least through the winter months. Prices for high protein feeds will continue near last year's level in the 1952-53 season. Soybean meal prices may trend lower than other kinds of high protein feeds.

Hay Supplies Down

Hay supplies are smallest since 1944 when compared to the number of roughage-consuming animal units. Pastures and ranges have been below average making it necessary to feed hay early in the season. In some areas, such as the South, drought has reduced supplies greatly. In South Dakota hay supplies are adequate, on an average basis, but on the short side in drought areas.

Outlook for Meat Animals

Summary

As a result of a four year expansion in numbers, the number of cattle slaughtered has started to increase and a more rapid rise in slaughter is in prospect for 1953. Slaughter of hogs is likely to be a little lower than in 1952 and that of sheep and lambs about the same.

Total meat production is expected to be moderately larger in 1953 than in 1952 with enough meat supplies produced to allow consumption of 144 pounds per person in the U. S.

The increased slaughter of cattle will likely bring a general reduction in prices of cattle—enough to prevent any marked improvement in prices of hogs despite a smaller hog slaughter. Prices of sheep and lambs will not change greatly and the price outlook is about as favorable for sheep and lambs as for any other class of livestock.

Cattle Slaughter Up—Prices Down

The meat industry has responded to increasing demand ever since the end of the war. Cattle numbers on farms have been building up, pig crops have been larger and the broiler industry has expanded. At first the expansion in cattle reduced current meat supplies but as numbers increase, slaughter increases.

In 1953 production of beef is expected to exceed that in 1952 by 8 to 10 percent. Even with increased slaughter, numbers on farms may increase to 93 million head—a record to date.

Increases in slaughter of cattle forseen for next year will likely bring further reduction in cattle prices with all grades sharing in the declines. Fed cattle prices may decline relatively more than feeder cattle prices. Seasonal decreases next year are most likely for fed cattle in the late winter and spring and for grass cattle in late summer and fall.

The chances are good for average profits from feeding cattle put on feed this fall. Feeder prices and feed prices are low enough that a slow decline in fed-cattle prices would not reduce profits below average. A record volume of feeding is likely this year. This is due to presently strong prices for top beef and lower feeder prices. This could result in some strong pressure on fed cattle prices, which could reduce profits below average.

Hog Production and Prices to Stay Steady

In contrast with cattle, hogs will show a decrease in slaughter. But, because of increased competition from beef, prices of hogs are not expected to change much from this year. Prices this winter are expected to be lower than prices last winter and may average near 1952 for the rest of 1953. The hog-corn price ratio may be close to its long-time average, meaning average returns from hog production.

Two factors will affect the size of the spring pig crop. The hog-corn ratio at breeding time is below average which would indicate a small crop but, also, there is an abundant corn crop especially in the Western Corn Belt which is encouraging to hog production. Most guesses are for little change from last spring with a slight increase possible.

Sheep Increase Halted

Sheep and lamb slaughter in 195[illegible] been so large as to indicate that the two-year 1950-51 rise in productio[illegible]s about ended. Prices of lambs may be [illegible] strong since slaughter may not change [illegible]ch and wool will be supported by the government program. Sheep and lambs will face some increased competition from beef. Longer run price prospects are generally more favorable to sheep producers than are those expected for cattle.

Meat Consumption Up

In relation to our growing population, meat supplies for next year do not appear too large. Consumption of meat per person is forecast at 144 pounds. This compares with 142 pounds in 1952 and with 138 pounds in 1951. Trends in meat consumption are shown in the accompanying chart.

Poultry Outlook

Summary

Farmers can look forward to slightly better egg prices, little change in prices for chickens raised, and possibly higher prices for turkeys in 1953 as compared with 1952. Broiler producers may expect about the same or slightly lower prices.

The 1953 laying flock will be smaller. Turkey production may be down a little. Broiler production may expand moderately. Farmers may raise slightly more chickens in the year ahead.

Good Demand

A good demand for poultry products is in prospect for 1953. Both the consumer and storage demand for eggs will be good. It is expected that the demand for chicken meat, broilers and turkeys will be as good as a year ago.

Production Varied

On the supply side, the situation varies a little depending on the product. A smaller supply of eggs is expected in the year ahead. The reduction is likely to be greatest in the spring of 1953. Most of this reduction will come in lower numbers of layers on farms in the fall of 1952. Broiler production may increase moderately. Some fewer turkeys may be raised. Chickens raised by farmers might increase slightly. This would result in a larger laying flock in the fall and winter of 1953.

Prices Brighter

Farmers may expect higher egg prices in the spring of 1953 as compared with the spring of 1952. Little change may be expected in prices of chickens raised by farmers. Broiler prices are likely to be near or slightly below 1952 levels. Turkey prices from October 1952 to the holidays are likely to be strong and will probably rise slightly. Prices for the 1953 crop may be a little higher than the expected average for 1952.

Dairy Outlook

Summary

Prices for dairy products in 1953 will average a little above last year. Consumer demand for most dairy products will continue strong. Exports will be off a bit. Milk production may increase slightly.

Cash receipts from dairy marketings will be a litle higher. However, production costs will be up, resulting in no great change in net income.

Demand Strong

Demand for dairy products, except butter, should at least be maintained in the year ahead. Domestic demand will be a little better than last year due to increases in our population and larger consumer incomes. The demand for butter and butterfat will continue its current decline. Exports of dairy products will decline. This decline will be due to an increase in milk production in many countries, a decline in foreign relief and a stronger domestic demand.

A Little More Milk

On the supply side, total milk production in 1953 may be a little above a year ago. For the U. S., little change is expected in the number of milk cows. Milk production per cow might increase slightly.

Prices Up

Dairy prices are likely to be a little higher in 1953. Most of the rise will be due to changes in demand since supply will change little. Butterfat prices will probably be a little higher in the year ahead. Such increases as may occur will be due largely to a reduction in the supply of butterfat because more milk will be used as fluid milk. Whole milk prices are likely to increase slightly more than butterfat prices.

Price relationships between dairy products and feed, and between dairy products and beef, pork and lamb may become slightly more favorable to dairy farmers.

Cow Numbers Steady

In light of these prospects, dairy farmers in South Dakota probably will do well to maintain milk cow numb[illegible] Milk [illegible] numbers have shown an al[illegible]ontin[illegible] decline since 1945. The grea[illegible]t decline [illegible] milk cow numbers, 8 percent from 1951 to 1952, occurred in the western two-thirds of the state. The least decline, 3 to 5 percent, occurred in the eastern one-third of the state.

Total cash receipts from the sale of dairy products may increase in 1953, slightly, but farmers' costs also are likely to increase so there will be no great change in net income.

Wheat Outlook

Summary

The present wheat supply in the U. S. is large although not excessive. [illegible] demand for wheat next year is [illegible]y to lessen, and prices for the 1953 crop are likely to average a little belo[illegible]vernment support prices.

1952 Production Large

Production of winter wheat in the U. S. for 1952 was 1,063 million bushels, the largest on record. Durum wheat production was down 40 percent from the 1951 crop, and other spring wheat production was 30 percent smaller than last year's crop. The total U. S. production of all wheat in 1952 amounted to 1,299 million bushels, second only to the record crop of 1,359 million bushels in 1947.

Stocks Up, Exports Down

With this large supply of wheat for the 1952-53 marketing year, the carryover of old wheat in July 1953 may total about 550 million bushels compared with 254 million bushels in July 1952. Demand for wheat in the U. S. for food, feed, and seed will continue at about the levels of the past year.

But foreign demand for U. S. wheat in the 1952-53 marketing year is expected to be down sharply. Exports may be down about 30 percent from the 473 million bushels exported in 1951-52. A large wheat crop in Canada, improved production in western Europe, and a prospective large crop in Argentina this winter all point to reduced U. S. wheat exports this marketing year.

1953 Production

The national wheat production goal for the 1953 harvest calls for 72 million seeded acres compared with 77.5 million acres in 1952 and the 1947-51 average of 78 million acres. Under high support levels, chances are greatest that the 1953 seeding will be near that seeded in 1952.

Prices Near Support

Wheat prices are expected to continue a little below the effective support price until late this fall or early winter. For the 1952-53 marketing year as a whole, prices of wheat probably will average near the effective loan level, that is, the support price minus a storage deduction.

The support price for South Dakota ranges by counties from $2.12 to $2.33 per bushels. The United States average support price for 1953 wheat has been announced to be at least $2.21 per bushel, compared with the national average of $2.20 for the 1952 crop.

Flax and Soybeans

Flax Production and Prices

The 1952 flaxseed crop in the U. S. declined about 3 million bushels from the 1951 crop of 31 million bushels, due mainly to reduced acreage. Plantings were reduced by dry weather in the spring and by competition from other crops.

The use of flaxseed and linseed oil, before another crop, is likely to be about 30 per cent greater than the 1952 production. This will result in a reduction in the large stocks of flaxseed and linseed oil on hand at the beginning of the 1952 crop year. But supplies before another crop is harvested still will be large—about equal to 35 million bushels of flaxseed.

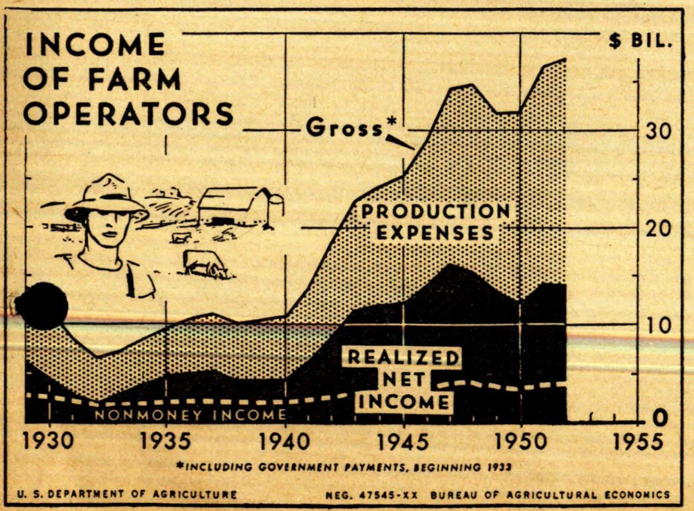
Price support for the 1952 flax crop was at a national average farm price of $3.77 per bushel. In South Dakota the support price ranged by counties from $3.62 to $3.79 per bushel, two cents higher than the 1951 support price.

Soybean Production and Prices

The 1952 soybean crop in the U. S. is estimated at 286 million bushels, 6 million more than in 1951. Prices to farmers for 1952 crop soybeans probably will average at least as high as last season's average price of $2.70 per bushel.

Production is only slightly larger than in 1951, and a good demand for soybean meal is expected. Last year the value of meal in a bushel of soybeans was substantially greater than the value of the oil, and the same relationship probably will continue.

Market reports indicate that prices received by farmers for soybeans in early October averaged about $2.75 a bushel, 19 cents above support. The U. S. average price support level for 1953 crop soybeans has been announced at $2.65 per bushel (farm basis), the same as for the 1952 crop.



Farm Finance Outlook

Summary

Farm assets will continue to increase in the year ahead. Farm debts will also increase. Some moderate decrease in land values is possible if the demand for farm land, as an inflationary hedge by non-farmers, decreases. Non-real estate credit is becoming a little tighter. Some farmers are experiencing repayment difficulties. A shifting of short-term debt to long-term debt is beginning to take place.

Farmers' Equity Increases

Total assets of America's agriculture are expected to reach 172.1 billion dollars in 1953, up two percent. Total real estate will be up because of higher values per acre. Non-real estate will hold steady. Liquid assets, currency, bank deposits and U. S. Bonds will increase.

Real estate or mortgage debt will increase about 6 percent. Non-real estate debt may rise 16 percent.

Because of higher farm debts, the equities of farmers will increase only slightly.

Land Values

Land values in the North Central Stat[e] of which South Dakota is a part, are infl[u]enced not only by price trends of farm pr[od]ucts but also by the demand for farm la[nd] as an inflationary hedge by non-farme[rs]. Increases in land values have exceeded i[n]creases in farm receipts. Under these con[di]tions, some down-turn in land values [is] possible in 1953.

Real Estate Credit

In general non-real estate credit in th[e] North Central region is sound in view o[f] the high farm income. There are some wea[k] spots. Poor feeding operations in 1951-52 coupled with poorer crops in some section[s] will leave some operators with a large deb[t] to be paid out of income in 1953. Some re[payment] difficulties are occurring. Indica[tions] are that a few farmers are overbough[t] on farm machinery and are finding it h[ard] to get extensions on this kind of cr[edit].

Farm mortgage interest rates in the past year and a half have increased, but little further change is expected. Some short term credit is being shifted into real estate loans because of differences in loan rates.

Farm Production Expenses

Summary

Cost rates for most items necessary in farm production are likely to continue to edge upward in 1953. Meanwhile, prices received by farmers for products sold will probably stay about the same or average slightly lower than in 1952. This means that the cost-price squeeze on farmers will be intensified in 1953.

As of October 1952 the U. S. parity ratio (ratio of prices received to prices paid by farmers) stood at 100, compared to a ratio of 105 for October 1951. The parity ratio may average somewhat lower in 1953 than in 1952, as rising prices of production items catch up with stable-to-weaker farm product prices.

With prices of production items likely to be a little higher, total farm expenditures in 1953 probably will be slightly above 1952 expenses. Both prices of production items and quantities used have increased during recent years. Total farm expenditures in 1952 were the highest on record, being 3 to 4 percent higher than in 1951. Supplies of most farm production items in 1953 are expected to be sufficient to meet requirements.

Farm Labor—During the past year, farm wage rates in the U. S. increased about 7 percent while numbers of persons working on farms decreased 4 percent. The outlook in 1953 is for a somewhat smaller supply of farm labor. Wage rates in 1953 may run 4 to 5 percent above the 1952 wages.

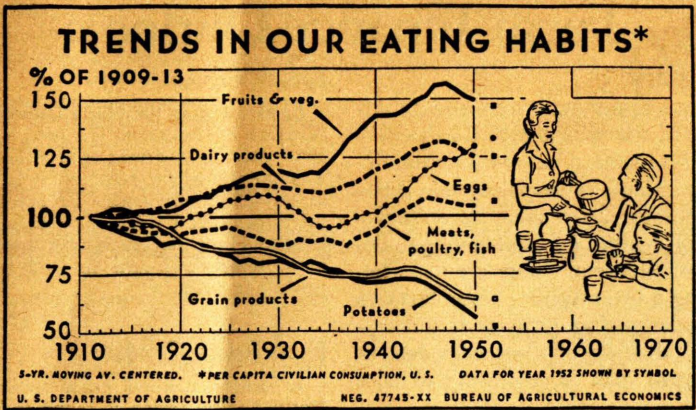
Farm Machinery and Power—Prices of tractors, autos, and trucks went up an average of 4 percent during the past year. Farm machinery prices increased by about 2 per cent. Production of farm machinery and power equipment in 1952 fell below the record output of 1951, but still remained at a high level. Because of increases in steel and labor costs, a moderate increase in prices of farm machinery and power seems likely for 1953.

Seeds—Prices farmers pay for the various legume and grass seeds are now averaging 12 percent higher than a year ago. Based on supplies and current price trends, it would appear that prices next spring of smooth bromegrass and crested wheatgrass seed will be higher than in the spring of 1952, while prices of alfalfa seed should be lower. Little change from the spring of 1952 is indicated in prices for red clover and sweetclover seed.

Fertilizer—Commercial fertilizer prices in September 1952 averaged 3 percent higher than a year earlier. Prices probably will rise by a similar amount next year in some areas, particularly in the West and Midwest. Supplies of nitrogen for 1953 are likely to exceed those for the past season by about 11 percent. Supplies of phosphates are expected to be up 10 percent and potash by 17 percent. While total fertilizer production should increase next year, some nitrogen and high analysis phosphate fertilizers may be hard t[o] get during times of high seasonal deman[d].

Building and Fencing Materials—Price[s] of building materials have been generall[y] stable for nearly two years. The present leve[l] is 2 percent below the record high rea[ched] in the spring of 1951. Building mate[rials] probably will not be much higher price[d in] 1953 than they are at present and may [even] be lower. Barbed and woven wire fencin[g is] expected to continue scarce through most [of] 1953. Prices of fencing materials are likel[y] to be about 5 percent higher because of re[cent] increased wholesale prices of steel mil[l] products.

Farm Supplies—Prices of miscellaneou[s] farm supplies have gone up year-by-yea[r] since 1939. They averaged 5 percent higher this past September than a year earlier. Increased prices of baler and binder twine were important contributing factors. Prices of farm supplies are likely to average slightly higher in 1953. Stocks of many pesticides appear to be high and should be adequate for the 1953 season at prices not greatly different from those of the 1952 season.



Farm Family Living

Summary

Prices for goods for family living will continue high and will probably increase a little. There will be plenty of goods to satisfy the demands of the consumers.

Consumer incomes will continue to be high. Net farm income in 1953 may be a little lower than last year. Farm families probably will spend more for family living. They have been getting more of the durable goods, thus raising their standing of living.

Population trends show there are more families. This creates a need for more housing. There will be a continued high level of home (farm and non-farm) construction in 1953 but it may begin to decline late in the year. The decline will be due to a decline in the rate of family formation.

Employment will remain up and we will find more women working outside the home.

Food

Food supplies and the demand for goods are such as to maintain prices near the present level. There is the possibility of slightly larger food output due, largely, to greater production of fruits and vegetables, increased marketing of cattle and continued plentiful supplies of cereal products.

Home production of food for family use is one of the reasons for cost differences. One-third to two-thirds of total money value of farm family food is supplied by home production.

However, it appears that the long-time trend in home food production on farms is downward. As they can afford it, farm families are choosing to lighten the work of homemakers by purchasing packaged foods and are taking advantage of the greater variety now available.

There is a danger in this trend. Surveys have shown that the families using home produced foods have more balanced diets from the nutritional standpoint. We must continue emphasis on those foods that make the greatest nutritional contribution to the diet.

Clothing

There is an amply supply of apparel goods on the market and so far as can be seen it will continue. Cotton will be very much the same. The supply will be able to take care of the demand. All carpet wool is imported and about two-thirds of apparel wool is imported and that market will continue steady. We can assume an ample supply of rayon and acetate.

To quote the editors of a trade journal magazine, "No fiber is really yielding to another but actually all are joining together to produce better textiles." One of the consumer problems today is that even if he or she purchases a garment that proves highly satisfactory, it may be impossible to identify the blend to make a repeat purchase. There is a need for more informative and accurate labels. Many of the new fibers will not be ready for general consumption until later in the year.

Housing

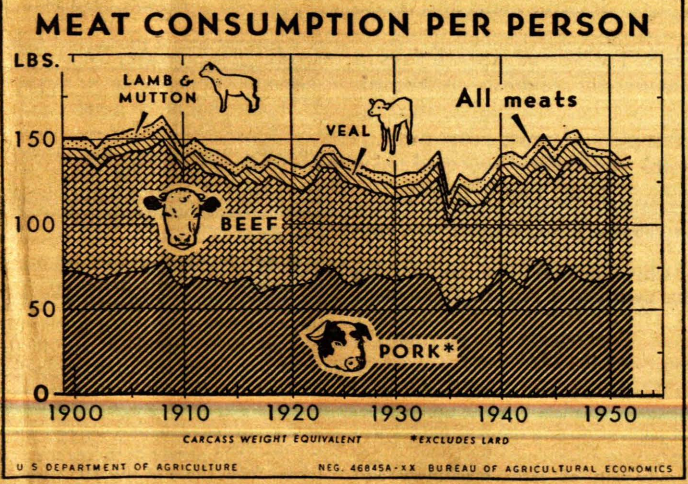
There is every evidence that about as much new construction of all sorts will be put in place this year. Home building (farm and non-farm) has accounted for about as large a part of construction as all public construction together.

Population forces have greatly effected this trend. Population is increasing and there is a steady rise in the number of families. Continued high levels of employment have enabled single women to have separate dwelling units. At the same time, many small or new families find an apartment or their present housing inadequate.

Household Equipment

Supplies of household equipment are adequate. The production can easily keep pace with the demand provided there is no "scare" buying similar to that which took place after the outbreak of the Korean War. A large percent of some metals will be used for defense. Due to the close relationship of production and demand for goods such as refrigerators, stoves, washing machines, radios, etc., will will not see many "bargains" or large-scale sales.

The lifting of consumer credit restrictions has made for easier credit buying and the consumer is getting more of the durable goods. This is one of the factors why the demand for durable goods is keeping up with production.



Implications of the Outlook for South Dakota Farmers

Farmers in South Dakota face two important hazards—changes in prices and changes in yields per acre. They also seem vulnerable to over-borrowing in periods of high income.

The economic outlook for agriculture is fairly good for 1953 as a whole. The current lack of moisture, makes production prospects less certain. Prices that farmers receive for their products could slip considerably by late 1953. Prices paid by farmers are not likely to reverse their current trend upward. This would put a squeeze on net farm income.

Always, farmers must recognize the ever-present possibility of change. This is very important now as international tensions are great.

Generally, farmers are well situated to adapt themselves to a change in either direction as far as production is concerned.

In planning farm operations for the coming year, consideration should be given to two areas of farm organization. These two phases are (1.) farm management and (2.) financial management.

The farm management considerations might include:

1. Improve farming methods. When profitable, effort should be made to increase crop yields, and to get better gains from livestock and poultry. Special efforts at this time should be made to reduce costs per bushel or animal without greatly increasing production. One way farmers can hold their own in a time of declining demand for their production is through increased efficiency. Increased efficiency in use of labor, more use of custom work and exchange of labor should also be considered.
2. Strive for a better balance in farm production. Special consideration should be given to the feed and livestock balance. Cash wheat farmers should consider other enterprises.
3. Aim for a farm size large enough to be efficient in terms of family labor.

The farm management considerations might include:

1. Improve farming methods. When profitable, effort should be made to assets while agricultural conditions are favorable.
   However, there are some farmers with low incomes due in part to an inadequate size farm, or poor equipment who cannot accumulate liquid assets. The need here is to increase production or lower unit cost or perferably both. This may call for expenditures for land or farm improvement beyond current income.
2. Many farmers will find it advantageous to accumulate a special reserve for depreciation of their machinery and buildings.
3. Other farmers will find it in their interest to convert short-term debts into long-term debts.
4. Many farmers could most effectively strengthen their positions by reducing their debts while agricultural income is high.

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